



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
GRAYSON COUNTY TOURISM COMMISSION**

Fiscal Year Ended June 30, 1996

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Members of the Grayson County Tourism Commission

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balance arising from cash transactions of the Grayson County Tourism Commission, as of June 30, 1996, and the related statement of cash receipts, cash disbursements, and changes in cash balance for the year then ended. These financial statements are the responsibility of the Grayson County Tourism Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Grayson County Tourism Commission prepares its financial statements on a cash basis of accounting. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance arising from cash transactions of Grayson County Tourism Commission of Grayson County, Kentucky, and the related statement of revenues, expenditures, and changes in fund balance as of and for the year ended June 30, 1996, in conformity with the cash basis of accounting described above.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

To the People of Kentucky
Honorable Paul E. Patton, Governor
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Members of the Grayson County Tourism Commission

Based on the results of our audit, we have presented Comments and Recommendations, included herein, which discusses the following area of noncompliance:

- The Grayson County Tourism Commission Should Have Submitted Its Annual Budget And Its Quarterly Reports To The Grayson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated July 12, 1999, on our consideration of the Grayson County Tourism Commission's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 12, 1999

GRAYSON COUNTY
 GRAYSON COUNTY TOURISM COMMISSION
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE

June 30, 1996

Assets

Cash in Bank	\$	15,041
Certificate of Deposit		73,692

Total Assets		\$ 88,733
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Liabilities and Fund Balance

Liabilities	\$	0
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Fund Balance-

Reserved Fund Balance - Building	\$	73,692
Unreserved Fund Balance		15,041
		88,733

Total Liabilities and Fund Balance	\$	88,733
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The accompanying notes are an integral part of the financial statements.

GRAYSON COUNTY
 GRAYSON COUNTY TOURISM COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Fiscal Year Ended June 30, 1996

Revenues

Tourism Tax	\$ 39,681	
Interest	<u>3,355</u>	
Total Revenues		\$ 43,036

Expenditures

Wages	\$ 707	
Advertising	5,772	
Rent	700	
Matching Funds	3,374	
Telephone	220	
Accounting Fees	850	
Office Supplies and Postage	<u>375</u>	
Total Expenditures		<u>11,998</u>
Excess of Revenues Over Expenditures		\$ 31,038
Fund Balance July 1, 1995		<u>57,695</u>
Fund Balance June 30, 1996		<u><u>\$ 88,733</u></u>

The accompanying notes are an integral part of the financial statements.

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENT

June 30, 1996

Note 1. Summary of Significant Accounting Policies

The Grayson County Tourism Commission (commission) was formed as a result of enabling legislation passed by the General Assembly of the Commonwealth of Kentucky. By joint action of the Grayson County Fiscal Court and the City of Leitchfield, an ordinance was enacted in 1992, establishing the Grayson County Tourism Commission and transit room tax. The purpose of the commission is to promote convention and tourism activity. KRS 91A.360 allows the commission to elect from its membership a chairman and a treasurer, and it may employ personnel and make contracts necessary to carry out its purpose. The contracts may include, but shall not be limited to, the procurement of promotional services, advertising services, and other services and materials relating to the promotion of tourist and convention business.

The commission's purpose is to direct the promotion of Tourism and Convention activities of the Grayson County service area. The commission's objectives are:

- To increase business to every establishment which directly or indirectly serves the conventionaire and/or traveling public;
- To encourage those serving the traveling public to always render a high standard of performance and to levy charges proportionate to the quality and quantity of service and/or products supplied;
- To extend the hand of welcome to all visitors, and visitor prospects, in keeping with the highest traditions of hospitality expected of our area and in keeping with fair and honest business practice;
- To provide leadership and/or seek funding to involve those establishments serving the traveling public in projects and programs which enhance and advance our community and simultaneously provide for expansion of tourist and convention business in Grayson County; and
- To create and project a positive image for the tourist and convention industry within the local community.

The commission membership consists of seven people appointed by the County Judge/Executive and the Mayor of the largest city (Leitchfield) in Grayson County.

- One member from a list of at least three persons submitted by the local restaurant association;
- One member from a list submitted by the local Chamber of Commerce;
- One member appointed by the County Judge/Executive;
- Three members from a list submitted by the local hotel/motel association; and
- One member appointed by the Mayor of the City of Leitchfield.

Board members are initially appointed for terms as follows:

- Two for the term of three years;
- Two for the term of two years; and
- Three for the term of one year.

Subsequent appointments shall be for three-year terms. Board members may be removed for cause.

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENT
June 30, 1996
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

The officers of the commission shall be the chairman, vice-chairman, secretary, and treasurer, all of whom shall be members of the commission. Officers may be re-elected for any number of terms provided however, under no circumstances shall a member serve in the same office for more than two consecutive years.

The duties of the commission's officers are as follows:

- Chairman – the chairman is the chief spokesman of the commission. The chairman will preside at all meetings of the commission and at meetings of the executive committee. The chairman will, after approval of the commission, sign all contracts, deeds, and other legal documents on behalf of the commission. The chairman will name all committee chairmen and committee members.
- Vice-Chairman – the duties of the vice-chairman will be the same as stated for the Chairman, except that they will be performed in the absence of the chairman or when the chairman is unable to perform such duties.
- Secretary – the secretary shall be responsible to approve and certify the minutes of the meetings as the official record of the commission.
- Treasurer – the treasurer will cause an annual audit to be made of the commission's financial records by its designated certified public accountant and will cause monthly financial statements to be submitted. At no time shall the treasurer serve as the chairman of the Budget and Finance Committee.

Meetings of the commission will be held, at least monthly, on the third Tuesday of the month or at another time and day agreed upon by a majority of the commission at a time and place to be determined by the chairman. The chairman may call additional meetings, as circumstances require. All meetings will be conducted in accordance with the provisions of the Open Meetings Law. A majority of the commission (4) shall constitute a quorum. A majority of a quorum shall control.

The staff is the “working arm” of the commission and is subject to its authority. The Executive Director is engaged by the commission and is responsible for the day-to-day operations and management of the commission, including hiring, training, and termination of staff members.

The commission's bylaws may be amended from time to time by a majority vote of the commission.

A. Reporting Entity

The financial statements of the Grayson County Tourism Commission include funds for which the Grayson County Tourism Commission is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the tourism commission's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENT
June 30, 1996
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The Grayson County Tourism Commission uses a fund to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The Grayson County Tourism Commission prepares its financial statements on a cash basis of accounting. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Grayson County Tourism Commission's bylaws require the adoption of a budget. The annual budget shall be drafted by the chairman. The draft will be submitted to the commission's budget/finance committee for line item consideration, modification, and approval. The draft will be submitted to the Board of Directors by or before the regular June meeting of the commission. The commission's approved budget shall be submitted to the fiscal court for approval. The commission adopted a budget for fiscal year ending June 30, 1996, but the fiscal court did not approve it.

E. Fiscal and Financial Procedures

The fiscal and financial procedures are:

- The fiscal year of the commission begins on July 1 and ends June 30 of the following year.
- The funds of the commission are derived from transient room taxes authorized by KRS; and are limited by statute not to exceed three percent. Supplemental funds may be derived from the Kentucky Matching Funds Program as permitted by statute and that agency's guidelines; and from such additional sources as the commission may from time to time approve.
- There shall be no dollar limit on budget-approved expenditures except that competitive bids will be obtained on intended purchases at, or above, the state statutory limit, and in full accord with statutory provisions. In addition, competitive bids should be obtained at the discretion of the chairman on all major purchases not covered under state statutory provisions. All expenditures of \$1,000 or more, except payroll, will be reported to the commission as an addendum to the financial report.
- The chairman will, after approval of the commission, sign all contracts, deeds, and other legal documents on behalf of the commission.

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENT
June 30, 1996
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Fiscal and Financial Procedures (Continued)

The fiscal and financial procedures are:

- All funds of the commission shall be promptly deposited in interest bearing accounts designated by the commission. The commission shall maintain a general account. The chairman and treasurer are both required to sign checks. The check signing commissioners, chairman and staff will be bonded and the commission will pay the cost of such surety bonding.
- Funds may be invested in interest bearing accounts or certificates of deposits at service area banks.
- A financial report reflecting budget line items and expenditures and balances, bank account balance, tax receipts, and other income will be presented to the commissioners at each of the regular meetings.

F. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 2), investments exclude certificates of deposit. The commission considers all short-term investments with an original maturity of three months or less to be cash equivalents. Excess funds are invested in certificates of deposit.

KRS 66.480 authorizes the tourism commission to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The Grayson County Tourism Commission does not participate in a retirement system.

Note 3. Deposits

The commission maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times.

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENT
June 30, 1996
(Continued)

Note 3. Deposits (Continued)

In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The commission did not have more than \$100,000 of funds at any time and was insured by the FDIC.

Note 4. Subsequent Events

A dispute arose between a former Chairperson of the Commission, Karen Woosley, and a majority of the Commission, over whether Karen Woosley was entitled to reimbursement from the Commission of \$5,433 which she had paid in connection with an audit of the Commission, and other accounting assistance, performed by a Louisville CPA firm. This dispute resulted in a declaratory judgment action being filed by the Commission against Karen Woosley, which is currently pending.

GRAYSON COUNTY
 GRAYSON COUNTY TOURISM COMMISSION
 COMPARATIVE SCHEDULE OF BUDGET TO ACTUAL
REVENUES, EXPENDITURES, AND BUILDING RESERVE

Fiscal Year Ended June 30, 1996

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<u>Revenues:</u>			
Tourism Tax	\$ 33,000	\$ 39,681	\$ 6,681
Interest on Certificate of Deposit	<u>2,752</u>	<u>3,355</u>	<u>603</u>
Total Projected Income	<u>\$ 35,752</u>	<u>\$ 43,036</u>	<u>\$ 7,284</u>
<u>Expenditures:</u>			
Administrative, Advertising, Dues, Events, Exhibitions, and Promoting	\$ 11,876	\$ 8,624	\$ (3,252)
Local Matching Funds Grant	6,000	3,374	(2,626)
Total Cash Set Aside For Building Reserve	<u>17,876</u>	<u>22,800</u>	<u>4,924</u>
Total Budget	<u>\$ 35,752</u>	<u>\$ 34,798</u>	<u>\$ (954)</u>

COMMENTS AND RECOMMENDATIONS

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1996

The Grayson County Tourism Commission Should Have Submitted Its Annual Budget And Quarterly Reports To The Grayson County Fiscal Court

The Grayson County Tourism Commission's bylaws require the Commission to adopt a budget and to submit it to the fiscal court for approval. As required by the bylaws, a copy of the Commission's budget was submitted to the Grayson County Judge/Executive, but not to the Grayson County Fiscal Court. By joint action of the Grayson County Fiscal Court and the City of Leitchfield, an ordinance was enacted in 1992 establishing the Grayson County Tourism Commission and a transit room tax. The ordinance states, "[t]he commission shall make an itemized quarterly report to the appointing authority showing the expenses and income for each month. The commission shall further present copies of its annual budget to the appointing authority." The commission adopted a budget for fiscal year ending June 30, 1996, but the budget was not approved by the fiscal court. We recommend that the Grayson County Tourism Commission submit its budget to the fiscal court for approval as required by Commission bylaws, and submit its quarterly reports to the fiscal court and the City of Leitchfield as required by ordinance.

Current Commission's Response:

The current commission has very limited records or knowledge of any transactions or operations during this Fiscal Year. The only documentation for this year are in the form of minutes for the following dates: February 12, 1996; March 12, 1996; October 8, 1996; November 19, 1996. None of the above minutes were signed. The Commission does not hold in possession "annual audits" for the years ending June 30, 1994 and June 30, 1995 and do not appear to show weakness in Management at that time.

The Commission does not have possession of an audit performed for 1996, therefore (because of the inability to obtain the proper materials needed) has requested that the State Auditor's office perform the audit to help the Commission to become in compliance with all rules and regulations set forth.

The past Commission did not properly report to the Grayson County Fiscal Court who is responsible for ensuring that the Commission is working within legal limits and expectations that it is created for. This audit should reflect on those individuals who were responsible for the operations and not the current Commission which is acting within all ordinances set forth for the Commission.

Karen Woosley, Former Chairman's Response:

The Grayson County Tourist Commission did adopt an annual budget which was submitted to the Grayson County Judge Executive pursuant to the Commission Bylaws Section XII C-3. We did submit monthly financial reports along with minutes to the Grayson County Judge Executive. There was never any intent to bypass fiscal court. We will in the future submit our annual budget to the Grayson County Fiscal Court. In 1995-1996 commissioners volunteered many hours to the Grayson County Tourist Commission. Many new tourism events and projects were initiated. In 1996 \$23,733,528 tourism dollars were spent in Grayson County. Rough River Lodge and State Resort was closed off and on for remodeling. The lodge was down a million and a half dollars.

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 1996
(Continued)

The Grayson County Tourism Commission Should Have Submitted Its Annual Budget To The
Grayson County Fiscal Court And Its Quarterly Reports to Fiscal Court (Continued)

Karen Woosley, Former Chairman's Response: (Continued)

However by efforts of the Grayson County Tourist Commission, we managed to get an increase in the amount of tourism dollars spent in Grayson County.

The tourist commission sponsored many local tourism projects such as Fall harvest Decorating Contest and Clarkson Honey Fest decorating contest. As a Commission we have promoted tourism hospitality throughout the area. As a commission we have worked with all areas of the county. We have given matching grants to the City of Caneyville, City of Clarkson, City of Letichfield, Falls of Rough, Anneta Oestrich Farm, Fiddlin Festival, Pine Knob Theatre, MidState MotoCross, Layagette Golf Course, Hometown Christmas projects and initiated Logsdon's Carriage Rides. The Grayson County Tourism Commission funds have been managed well. The Commission drew alot of interest money. All transient taxes haves been accounted for and there were no illegal expenditures. The tourism money balances from one year to the next. In June of 1996 we opened the first Tourism Information Center in the Historic Jack Thomas House. We qualified for tourist information signs on Western Kentucky Parkway.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

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Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the Grayson County Tourism Commission for fiscal year ending June 30, 1996, and have issued our report thereon dated July 12, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Grayson County Tourism Commission's financial statements as of June 30, 1996, are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards.

- The Grayson County Tourism Commission Should Have Submitted Its Annual Budget And Quarterly Reports To The Grayson County Fiscal Court

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Grayson County Tourism Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying Comments and Recommendations, included herein.

- The Grayson County Tourism Commission Should Have Submitted Its Annual Budget And Quarterly Reports To The Grayson County Fiscal Court

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
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Members of the Grayson County Tourism Commission

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the above item described on the prior page to be a material weakness.

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 12, 1999

